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KASEN INTERNATIONAL HOLDINGS LIMITED

卡森國際控股有限公司

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 496)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF 100% INTEREST IN MELX

The Board wishes to announce that on 28 January 2013, Cardina, an indirect wholly owned subsidiary of the Company, entered into the Subscription Agreement with MELX, pursuant to which MELX has agreed to issue and Cardina has agreed to subscribe the Issue Shares at the subscription price of ¥100,000,000 yen (equivalent to approximately HK\$8,730,304).

As the applicable percentage ratios as set out in the Listing Rules are more than 5% and less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date: 28 January 2013

Parties:

- (a) Cardina, an indirect wholly owned subsidiary of the Company as the purchaser; and
- (b) MELX, a company in the process of civil rehabilitation in Japan, as the vendor.

To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, MELX and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Subscription:

Pursuant to the Subscription Agreement, MELX has agreed to issue to Cardina and Cardina has agreed to subscribe from MELX, the Issue Shares, representing a 100% interest in MELX, pursuant to the terms of the rehabilitation plan as part of its civil rehabilitation which became effective on 9 January 2013. Pursuant to the rehabilitation plan of MELX, MELX shall repurchase all of its existing shares in issue prior to the issue of the Issue Shares to Cardina in accordance to the terms of the Subscription Agreement. Upon completion of the Subscription, Cardina will become the sole shareholder of MELX, owning the entire issued share capital of MELX and MELX will become an indirectly wholly owned subsidiary of the Company.

Subscription Price:

The Subscription Price is ¥100,000,000 yen (equivalent to approximately HK\$8,730,304). The Subscription Price shall be payable in cash by Cardina to MELX on or before 31 January 2013 and will be financed by the internal resources of the Group.

The Subscription Price was determined with reference to the par value per share of the Issue Shares on the basis of ¥50 yen per Issue Share, after arm's length negotiations between Cardina and MELX taking into account of (i) the potential of the business of MELX; (ii) the book value of MELX; and (iii) the net asset value of MELX (taking into account the Assumed Liabilities).

Cardina will assume all the liabilities of MELX and its subsidiaries (including trade creditors, other accruals provisions and borrowings) in a total amount of approximately RMB55,461,549 (equivalent to approximately HK\$68,487,958) as of 9 January 2013 (the "Assumed Liabilities").

Save for the Assumed Liabilities, MELX and its subsidiaries have no other liabilities, whether existing or contingent liabilities, which will be assumed by Cardina upon Completion.

The Directors are of view that the Subscription Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Completion:

Completion of the Subscription will take place upon the Subscription Price being paid in full by Cardina and the allotment of the Issue Shares by MELX to Cardina.

INFORMATION ABOUT MELX

MELX is a company established in Japan on 20 October 1911, and it is principally engaged in the sale and manufacturing of leather products including shoe leather, furniture leather, car seat leather and other leather products. MELX is a company whose shares was listed on the Tokyo Stock Exchange until June 2011. Subsequent to the delisting, on 11 June 2012, MELX applied to the Tokyo District Court for the commencement of its civil rehabilitation pursuant to the Civil Rehabilitation Law of Japan. A rehabilitation plan was subsequently submitted to the Tokyo District Court on 16 October 2012 and the rehabilitation plan was approved by the Tokyo District Court on 12 December 2012. The rehabilitation plan became effective on 9 January 2013. As part of the rehabilitation plan of MELX, MELX will not be required to repay 90% of its debts and liabilities (including trade creditors and borrowings), being in the sum of approximately ¥1,820,117,891 yen (equivalent to HK\$158,901,821), upon completion of its rehabilitation plan.

Set out below are the financial information of MELX and its subsidiaries for the two financial years ended 31 March 2012, prepared in accordance to the accounting principles generally accepted in Japan:

	MELX and its subsidiaries	
	Year ended 31 March 2011	Year ended 31 March 2012
	(unaudited)	(unaudited)
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Net loss before taxation and extraordinary items	40,489	50,831
Net loss after taxation and extraordinary items	41,399	52,843
Total assets	280,549	249,743
Net assets (liabilities)	48,948	(1,074)

Upon completion of the Subscription, MELX will be wholly owned by Cardina and the financial results of MELX will be consolidated into the financial statements of the Group and MELX will be accounted for as an indirect wholly owned subsidiary of the Company.

INFORMATION ABOUT THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the production of upholstered furniture, furniture leather and automotive leather. It is also engaged in property development and retail business.

REASONS FOR AND BENEFITS OF THE TRANSACTION

MELX has over 100 years of expertise and experience in the manufacturing of leather products including automotive leather with its headquarter based in Japan. It currently owns various production facilities, land and factories in Japan for the manufacturing of leather products. The manufacturing of automotive leather is the fastest growing division in terms of revenue of the Group's manufacturing business. It is expected that the Group will continue expanding its manufacture of leather business. The Directors believe that the Subscription will further strengthen the Group's position as a leading automotive leather supplier in the PRC since the Group will be able to make use of the existing production facilities of MELX to increase its production capacity of automotive leather products. The Subscription will also create new platform and business opportunities to the Group's existing operations, expand the Group's research and development capabilities, large-scale production capabilities and enhance its international presence.

Accordingly, the Directors, including the independent non-executive Directors, consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are entered into on normal commercial terms after arm's length negotiations among the parties and the terms are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of directors of the Company
“Cardina”	Cardina International Company Limited (凱迪納國際有限公司), a company incorporated in the Cayman Islands with limited liability and an indirect wholly owned subsidiary of the Company
“Company”	Kasen International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Issue Shares”	2,000,000 ordinary shares of MELX to be issued by MELX to Cardina pursuant to the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MELX”	MELX Co., Ltd., formerly known as Meiji Leather Tanning Co., Ltd., a company established under the laws of Japan on 20 October 1911, which is currently in the process of civil rehabilitation in Japan
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Issue Shares as contemplated under the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 28 January 2013 entered into between Cardina and MELX regarding the Subscription
“Subscription Price”	the subscription price of ¥100,000,000 yen for the Subscription
“Yen” or “¥”	Japanese Yen, the lawful currency of Japan

For illustration purposes, the amounts in Yen in this announcement have been translated into HK\$ at HKD1.00 = ¥11.45436 yen.

By Order of the Board
Kasen International Holdings Limited
Zhu Zhangjin
Chairman

PRC, 28 January 2013

As at the date of this announcement, the executive Directors are Mr. Zhu Zhangjin, Mr. Zhou Xiaosong and Mr. Zhang Mingfa, Michael; and the independent non-executive Directors are Mr. Sun Steve Xiaodi, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang.

Website: <http://www.irasia.com/listco/hk/kasen/index.htm>